

NHS Greater Glasgow and Clyde

Report on the 2007/08 Audit



July 2008



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Executive Summary

Introduction

In 2007/08 we looked at the key strategic and financial risks being faced by NHS Greater Glasgow and Clyde. We audited the financial statements and we also reviewed aspects of performance management and governance. This report sets out our key findings.

Financial position

The Board carried forward a £27.348 million surplus from 2006/07 and planned to fully utilise this to fund non-recurring expenditure commitments in 2007/08. During 2007/08 the Board achieved a cumulative surplus of £0.646 million, after utilising the surplus which was carried forward from 2006/07.

The Board's financial statements include significant provisions, particularly in respect of Agenda for Change payments, and do not reflect any potential liability for Equal Pay claims. Accounting estimates and provisions, by their nature, include a degree of uncertainty and any under-estimate of costs in 2007/08 could have a significant impact in future years.

As outlined in the Board's Financial Plan there will be tighter financial settlements in 2008/09 and future years with an uplift of 3.15% in 2008/09 compared to 6% in previous years. This will have a significant impact on long term financial planning and the control of costs. The Board's Cost Savings Plan for 2008/09 has identified that approximately £42m of cash releasing savings will be required if the Board is to achieve financial breakeven in 2008/09 and in addition generate up to £11m of reserves to contribute towards funding the new Stobhill and Victoria facilities which will come onstream in 2009/10. The achievement of this plan would produce a surplus of £11m in 2008/09. The Clyde Savings Plan will have recovered between £15m and £16m by the end of 2008/09, leaving £10m to be achieved in 2009/10 to reach a position of financial balance within Clyde.

Financial statements

We have given an unqualified opinion on the financial statements of NHS Greater Glasgow and Clyde for 2007/08. We have also concluded that in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance, issued by Scottish Ministers.

Performance

The Board has an action plan in place for the future development of its performance management framework and to ensure that information is available across the organisation on a consistent basis. The framework is being strengthened by the introduction of bi-annual local performance reviews. These are chaired by the Chief Executive and a panel of Directors who will review key areas of the local health system in conjunction with the local management team.



The Board is on track to achieve its HEAT (Health Improvement, Efficiency, Access and Treatment) targets and the Cabinet Secretary for Health and Wellbeing has publicly noted that the Board had met its waiting time targets particularly in relation to Accident and Emergency.

Best Value

In 2005/06 external auditors carried out a baseline review of Best Value arrangements across the health service including NHS Greater Glasgow and Clyde. A follow-up review was carried out in 2007/08 and we found that the Board had made progress in a number of areas. A number of key developments are currently underway to assist in embedding Best Value principles within NHS Greater Glasgow and Clyde. We also applied a Best Value, Use of Resources, pilot toolkit, covering Financial Management in 2007/08 and our work in this area is ongoing. We plan to submit our detailed report in August..

Governance

Corporate Governance is concerned with the structures and process for decision making, accountability, control and behaviour at the upper levels of an organisation. Overall, the corporate governance and control arrangements for NHS Greater Glasgow and Clyde operated satisfactorily during the year, as reflected in the Statement on Internal Control.

We examined the key financial systems underpinning the organisation's control environment. We concluded that financial systems and procedures operated sufficiently well to enable us to place reliance on them.

In 2007/08, Internal Audit benchmarked the Board's arrangements for its Clinical Governance Committee against practices in other NHS boards. The review concluded that the Committee functions well, highlighting the presentation of annual clinical governance reports from Acute Services Directorates, Partnerships and other corporate clinical functions. It also noted the overarching clinical governance annual report for NHSGGC and the regular presentations on clinical governance arrangements within each of the directorates.

Looking forward

The final part of our report notes some key risk areas for NHS Greater Glasgow and Clyde going forward. There are significant challenges around future funding and delivering on HEAT targets, delivering efficiencies and managing a very extensive capital programme, all in a period of expected lower uplifts in allocations. National issues around Equal Pay claims and changes to accounting procedures will provide challenges in future years.

The assistance and co-operation given to us by Board members and staff during our audit is gratefully acknowledged.

**Audit Scotland
July 2008**



Introduction

1. This report summarises the findings from our 2007/08 audit of NHS Greater Glasgow and Clyde. The scope of the audit was set out in our Audit Plan, which was presented to the Audit Committee on 30 January 2008. This plan set out our views on the key business risks facing the organisation and describe the work we planned to carry out on financial statements, performance and governance.
2. We have issued a range of reports this year, and we briefly touch on the key issues we raised in this report. Each report set out our detailed findings and recommendations and the Board's agreed response. Appendix A of this report sets out the key risks highlighted in this report and the action planned by management to address them.
3. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers and members of NHS Greater Glasgow and Clyde during the course of our audit. This report will be submitted to the Auditor General for Scotland and will be published on our website, www.audit-scotland.gov.uk.



Financial Position

4. In this section we summarise key outcomes from our audit of NHS Greater Glasgow and Clyde's financial statements for 2007/08, and comment on the key financial management and accounting issues faced. The financial statements are an essential means by which the organisation accounts for its stewardship of the resources available to it and its financial performance in the use of those resources.

Our responsibilities

5. We audit the financial statements and give an opinion on:
 - whether they give a true and fair view of the financial position of the Board and its expenditure and income for the period in question
 - whether they were prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements
 - the consistency of the information which comprises the management commentary with the financial statements
 - the regularity of the expenditure and receipts.
6. We also review the Statement on Internal Control by:
 - considering the adequacy of the process put in place by the Chief Executive as Accountable Officer to obtain assurances on systems of internal control
 - assessing whether disclosures in the Statement are consistent with our knowledge of the Board.

Overall conclusion

7. We have given an unqualified opinion on the financial statements of NHS Greater Glasgow and Clyde for 2007/08.
8. As agreed the unaudited accounts were provided to us on 12 May 2008 supported by a comprehensive working papers package. The good standard of the supporting papers and the timely responses from NHS Greater Glasgow and Clyde staff allowed us to conclude our audit within the agreed timetable and provide our opinion to the Audit Committee on 24 June as outlined in our Annual Audit Plan.



The Board's financial position

Outturn 2007/08

9. NHS Greater Glasgow and Clyde is required to work within the resource limits and cash requirement set by the Scottish Government. The Board's performance against these targets is shown in Table 1 below.

Table 1
2007/08 Financial Targets Performance £ million

Financial Target	Target	Actual	Variance
Revenue Resource Limit	2014.37	2013.72	0.65
Capital Resource Limit	122.7	122.3	0.40
Cash Requirement	2126.00	2126.00	-

10. The Board has achieved a cumulative surplus of £0.646 million. The Board carried forward a £27.348 million surplus from the previous year which it utilised during 2007/08 to fund a number of non-recurring expenditure commitments, in particular increased expenditure on the achievement of waiting times targets.
11. Table 2 below, shows how the surplus of £0.646 million was achieved through a combination of recurring and non-recurring funding. Historically Boards have relied upon a measure of non recurring funding to achieve financial targets. However, with the tightening financial settlement in future years and the option of capital to revenue transfers no longer available to Boards, there is less scope for reliance on non recurring income to achieve financial balance as Boards seek to rationalise their cost base.

Table 2
Funding Position 2007/08

	£ Million	£ Million
Recurring income	2,555.00	
Recurring expenditure	(2590.40)	
Recurring savings	16.40	
Underlying recurring surplus/(deficit)		(19.00)
Non-recurring income	47.20	
Non-recurring expenditure	(31.60)	
Non recurring savings	4.00	
Non-recurring surplus/(deficit)		19.60
Financial surplus/(deficit)		0.60
Underlying recurring surplus/(deficit) as a percentage of recurring income		(0.74%)



2008/09 Budget

12. There will be tighter financial settlements in 2008/09 and future years with an uplift of 3.15% in 2008/09 compared to around 6% in previous years. This will have a significant impact on long term financial planning and the control of non pay costs.
13. A general pay uplift of 2.75% was anticipated for most staff groups in 2008/09. The forecast overall growth in pay costs is now 3.6% after taking account of the funding of Agenda for Change and other pay increases for non-consultant medical staff. Pay costs account for approximately 50% of all Board expenditure and consequently this increase in pay costs presents a significant challenge to the Board's Financial Plan in 2008/09.
14. Another significant cost pressure for the Board is the rate of growth, before costs savings initiatives, in prescribing costs. These costs are increasing at a rate of 8% although the overall forecast growth in prescribing costs taking into account planned costs savings is estimated to be 5.25%.
15. The resultant recurring cost savings challenge faced by the Board in 2008/09 is £42.2m. In addition there is a requirement to contribute £4 million non recurrent costs savings to fund the residual funding gap for Clyde, giving an overall savings target of £46.2 million. Savings of £30.2 million have been identified leaving a gap of £16.0million. Proposals to address this gap include a review of expenditure commitments and provisions, including earmarked funding, and planned workforce changes.

Risk area 1

Issues arising from the audit

16. As required by auditing standards we reported to the audit committee on 24 June 2008 the main issues arising from our audit of the financial statements. The key issues reported were as follows.
17. Family Health Services (FHS) – There was initially a lack of substantive evidence and a poor audit trail between the amounts stated in the Trial Balance and the unaudited financial statements. This issue was resolved by the provision of further detailed information by management accounting services at later date. It is noted that the responsibility for recording and accounting for FHS expenditure will transfer to the Financial Services Department during 2008/09. This will allow a single system to be developed for the monitoring and accounting of FHS transactions.
18. **Agenda for Change-** NHS Greater Glasgow and Clyde accrued £48.2 million in respect of agenda for change payments at 31 March 2008. We received formal assurances from the Board, in a letter of representation, that the accrual, in their judgement, represents a prudent estimate of anticipated costs.



19. **Contingent Liabilities - Equal Pay** - NHS trusts in England have settled pay claims for female employees and similar claims have been received by boards in Scotland. As at 31 March 2008, NHS bodies had received some 12,000 claims and these had been referred for the attention of the Central Legal Office. It is possible that these claims represent a current liability for NHS Boards generally. An unquantified contingent liability was included in the notes to the Board's accounts for equal pay. Further details on this issue are included at paragraph 21 below.

Risk area 2

20. **Pension Provision**- We drew specific attention to the accounting treatment for the pension provision in respect of early retirals. In previous years this provision was overstated. An adjustment was made to correct this in 2007/08 by applying a reduction of 50% or £3.2 million. Finance officers had contacted the Scottish Public Pensions Agency (SPPA) on several occasions to obtain the necessary information to enable them to accurately calculate the provision but this has not been received. In the absence of this information, finance officers used an alternative, sample based approach, to recalculate the provision. The absence of detailed information from the SPPA made it impossible to determine the accuracy of the current provision in the 2007/08 accounts and so we therefore received formal representations from management to provide assurances on the approach which they had used to calculate the provision within the accounts.

Equal Pay Claims

21. Article 141 of the Treaty of Rome requires member states to ensure and maintain "the application of the principle that men and women should receive equal pay for equal work". This was taken forward by the Equal Pay Directive which made it clear that all such discrimination should be eliminated from all aspects of remuneration. In the UK the Equal Pay Act 1970 is seen as fulfilling Britain's obligations in relation to equal pay. The National Health Service in Scotland has received a number of claims for equal pay in which additional back pay is sought, arising from the requirement for equal pay. The NHS Central Legal Office (CLO) is instructed by the Management Steering Group of the NHSScotland and co-ordinates the legal response of NHSScotland to this issue.
22. For 2006/07, we accepted that no estimate of the potential liability for these claims could be identified because this was an emerging issue, still at an early stage and as a result a contingent liability was included in NHS Greater Glasgow and Clyde financial statements. We strongly encouraged NHS Greater Glasgow and Clyde's management, working with the Scottish Government Health Directorates and other NHS Boards, to resolve this matter in advance of compilation of the 2007/08 financial statements.



23. As at 31 March 2008, NHS bodies had received some 12,000 claims and these had been referred for attention to the Central Legal Office. It is possible that these claims represent a current liability for NHS boards generally. By the end of May 2008 there were 5298 grievances and 5551 employment tribunals registered against NHS Greater Glasgow and Clyde.
24. The CLO has co-ordinated the legal response to all claims and has attended Tribunal Hearings at which discussion about procedural matters has taken place. The CLO affirms that the cases in Scotland are at too early a stage to allow any assessment of financial risk to be included in the financial statements.
25. A number of issues contribute to this uncertainty:
 - certain recent applications incorporate a challenge to the Agenda for Change system, stating that it is, in itself, discriminatory and perpetuates discrimination. This allegation is made in terms of section 77 of the Sex Discrimination Act and seeks to bring all those who were signatories to the Agenda for Change Final Agreement into the proceedings, including Unison and GMB. This allegation of discrimination needs to be legally tested
 - claimants also seek to identify whether or not the Scottish Government or Health Boards is/are responsible for all the claimants' terms and conditions relating to pay. This is often referred to as the "single source issue". If this issue is actively pursued by the claimants, then it will require to be legally tested.
26. We note the CLO's current view of the stage the cases have reached but strongly encourage NHS Greater Glasgow and Clyde management, working with the Scottish Government Health Directorate and other NHS Boards to form a view of the potential liabilities as soon as possible taking into account the progress of cases in Scotland and England.

Regularity

27. The Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors that requires us to certify that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers. We have been able to address the requirements of the regularity assertion through a range of procedures, including written assurances from the Accountable Officer as to his view on adherence to enactments and guidance. No significant issues were identified for disclosure.



Performance Management

28. Public audit is more wide-ranging than in the private sector and covers the examination of, and reporting on, performance and value for money issues. As part of our audit we are required to plan reviews of aspects of the arrangements to manage performance, as they relate to economy, efficiency and effectiveness in the use of resources.
29. Accountable officers also have a duty to ensure the resources of their organisation are used economically, efficiently and effectively. These arrangements were extended in April 2002 to include a duty to ensure 'best value' in the use of resources.
30. This section covers our assessment of the way in which NHS Greater Glasgow and Clyde secures value for money in the use of its resources. This year we focused primarily on monitoring the Board's Performance Management arrangements and examining the arrangements for Best Value through a follow-up to the base line study and reviewing the arrangements for Best Value Use of Resources, focusing on financial management.

Performance Management

31. The Board has an action plan in place for the future development of its performance management framework to ensure that information is available across the organisation on a consistent basis. The framework is being strengthened by the introduction of bi-annual local performance reviews with all Community Health (Care) Partnerships [CH(C)Ps], the Mental Health Partnership and the Acute Services Division. These are chaired by the Chief Executive and a panel of Directors who will review key areas of the local health system in conjunction with the local management team.
32. The Cabinet Secretary of Health and Wellbeing as part of the Annual Review of NHSGGC highlighted areas where specific action would be required to ensure that certain performance targets are achieved. These included waiting times for certain cancers, the four-hour Accident and Emergency target, outpatient waiting times and the elimination of Availability Status Codes (ASC) by 31 December 2007. An Annual Review action plan has been compiled which identifies the Board officer responsible for progressing actions agreed with the Cabinet Secretary.
33. The Board was successful in achieving a number of very challenging targets by the 31 December deadline. These included waiting time targets for inpatients; outpatients; chest pain and cardiac intervention; in addition to the abolition of Availability Status codes and the 4 hours accident and emergency waiting time. It was noted that some targets, including cancer waiting times, were only partially achieved.

Risk area 3



34. The Board has made significant progress over the course of the year to meet the delayed discharge target. The efforts of both the Board and the Council partners has progressively reduced the delayed discharges not meeting the target for all council areas served by the Board. This is an noteworthy example of joint working and across public sector organisations.
35. Some HEAT waiting times targets will become more demanding from 2009 with the introduction of the 18 weeks referral to treatment standard. Although the standard only applies from 2011, interim performance milestones have been set to assist boards in achieving the target. The Board is making progress towards these interim targets.
36. As stated in paragraph 10 above, the Board utilised its carry forward surplus to invest in additional treatments and clinical sessions to reduce the waiting times across the major performance categories as well as engaging in the redesign of processes and services to improve the patient pathway. This has had observable effects in improving clinical performance and service delivery throughout the year. However, the challenge for the Board will be to maintain the momentum and increase efficiency to meet the new Government targets in a more financially restrictive environment where the opportunities for additional investment will have to be balanced with the other strategic and operational objectives of the Board.

Risk Area 4

Best Value developments

37. The positive impact of the Best Value concept in local government led Scottish Ministers to introduce a non-statutory Best Value duty on all public sector accountable officers (i.e. across health and central government) in 2002. This was reinforced by refreshed Ministerial guidance in 2006, highlighting the importance that the Scottish Government places on Best Value as a means of supporting public service reform.
38. That position was again re-iterated in the Scottish Government's recent response to the Crerar scrutiny review which credited the Best Value regime as a key driver of modernisation and improvement in public services. Audit Scotland is committed to extending the Best Value audit regime across the whole public sector and significant development work has taken place over the last year.
39. The framework for our proposed Best Value audit approach was agreed by Audit Scotland's Corporate Management Team in September 2007. It is based on the key principles of flexibility and proportionality; alignment and integration with our existing activities; being delivered within our existing resources, and with an evolutionary implementation.



40. Using the Scottish Government's nine best value principles as the basis for our audit activity, we have identified five priority development areas (Use of Resources, Governance and Risk Management, Accountability, Review and Option Appraisal, and Joint Working) for our initial development work.
41. Currently we are concentrating on the development of Use of Resources audit toolkits, focusing initially on Financial Management, Efficiency, and Information Management. These toolkits are being piloted in a number of NHS and central government clients during 2007/08 and 2008/09. Developed toolkits will also be made available to public bodies to consider for self assessment.
42. The first of these toolkits, which covers Financial Management, was piloted in NHS Greater Glasgow and Clyde during 2007/08. The review sought to establish the Board's position in relation to:
 - financial governance and leadership
 - financial and service planning
 - finance for decision-making
 - financial monitoring and control
 - financial reporting.
43. Our work in this area is ongoing, although we have established that the Board's arrangements in this area are soundly based. We plan to submit our detailed report in August, drawing upon examples of good practice across the NHS in Scotland.
44. In 2005/06 external auditors carried out a baseline review of Best Value arrangements across the health service including (at that time) NHS Greater Glasgow. The baseline review was built around the then Scottish Executive's nine best value principles – commitment and leadership, accountability, responsiveness and consultation, joint working, sound governance, sound management of resources, use of review and option appraisal and equal opportunities arrangements.
45. In 2007/08, we reviewed the baseline information to ascertain what arrangements NHS Greater Glasgow and Clyde have put in place to take forward the best value agenda and demonstrate continuous improvement. We are presently collating information for this update and will report our findings shortly.



Efficiency

46. In 2007/08 the Board had a cost savings target of £16.4m as part of the Scottish Government Efficient Government – Efficiency Savings Initiative. The target was met during the year through a range of cost savings initiatives covering areas such as prescribing, procurement, service redesign schemes and improved management of staff. As identified in paragraph 15 above, the challenge for 2008/09 onwards will be significant for the Board.
47. Service redesign has contributed to the overall ability of the Board to derive savings and efficiencies from its activities. This affects a range of both clinical and support functions. For example the redesign of laundry services concentrated activities in a small number of more efficient sites and the centralised stores operated by NHS National Logistics Service, replaced the need for Boards to hold stocks of general consumable items.
48. E-procurement has been introduced throughout the organisation with most departments being able to order goods and services directly from the National Distribution Centre operated by NHS National Logistics. A major training programme was undertaken during the year to facilitate the change to working practices. Cost savings are expected to be derived from reduction in the cost of ordering and stock-holding and also from discounted prices on goods and services obtained through bulk purchase contracts with suppliers.
49. Moving forward, the Board continues to derive cost efficiencies through a programme of service reviews and budget monitoring. The cost savings plan includes projects designed to produce recurring and non – recurring savings which are incorporated into the financial plan. A corporate approach is adopted for the identification of suitable cost reduction programmes and savings targets are devolved to operational budgets where appropriate.
50. There is a continuing challenge for the Board to identify additional efficiencies in the service within a tightening financial settlement. It is important that the Board has access to accurate cost base information required to inform investment choices and continues to encourage innovation and creativity in the future provision of services from all stakeholders both internal and external to the organisation. In the complexities of the financial planning process where internal savings are being generated to support service developments e.g. the Ambulatory Care Hospitals, as well as to meet efficiency targets, it is essential that sufficient attention to the recording and classification of financial savings is embedded in the main accounting functions.

National Studies

51. Audit Scotland published 4 national study reports relevant to NHS Greater Glasgow and Clyde and the key findings from these are summarised in the paragraphs which follow.



A Review of free personal and nursing care (FPNC)

52. This report evaluated the robustness of financial planning, monitoring and reporting arrangements for free personal and nursing care, examined the current costs and funding allocations for free personal and nursing care for councils and identified the financial impact on older people, the Scottish Government and councils.
53. The report recommended that the Scottish Government and councils should continue to work together as a matter of urgency to clarify current ambiguities with the policy and should agree a national eligibility framework which defines risks and priority levels to ensure transparency in access to care for older people.
54. The report also recommended that councils should work with local health partners to evaluate the longer-term consequences of reducing domestic home care services, such as cleaning, shopping and laundry services.

Managing Long Term Conditions

55. The study examined services for adults with long term considerations generally, focussing on two conditions in particular i.e. chronic obstructive pulmonary disease and epilepsy.
56. Some of the key recommendations were:
 - that the SGHD, NHS boards and local authorities should collect better information on activity, costs and quality of services for long term conditions to support the development of community services
 - the SGHD, NHS boards and local authorities should evaluate different ways of providing services to ensure cost effectiveness and share good practice
 - NHS boards should take a more strategic role to ensure better working between CH(C)Ps and the acute sector to support the development and resourcing of community services
 - The SGHD and NHS boards should agree targets to support the development of community-based services
 - NHS boards and local authorities, through CH(C)Ps, should ensure comprehensive information is given to patients about their condition, and the health and social care services available, at the time of diagnosis.



Primary care out-of-hours services

57. This study reviewed changes to the delivery of primary care out-of-hours services. We looked at national and local planning for out of-hours care; how much it costs the NHS; and how the current delivery of out-of-hours services affects patients and GPs.
58. The key messages are:
- over 95 per cent of GP practices have chosen to opt out of providing 24-hour care to their patients, with responsibility passing to NHS boards. This has been a major challenge for NHS boards but they have managed to sustain services for patients. The opt-out offers an opportunity for NHS boards to change the way services are delivered and to improve patient care, although this will take time to be used to its full potential
 - most of the funding for new out-of-hours services comes from NHS boards' budgets. This has added to cost pressures for NHS boards, particularly in rural areas where they have had to meet a greater percentage of the costs. The cost to NHS boards in 2006/07 was approximately £67.93 million
 - the overall impact on patient care of GPs opting out of out of-hours services is not clear as it has been introduced alongside other changes. Due to the lack of national data available it is difficult to assess whether patients are benefiting, however, over 80 per cent of patients are satisfied with the service they received. GPs are positive about being able to opt out and 88 per cent of GPs are relieved to no longer have 24-hour responsibility for patients.

Overseas staff in the NHS-pre-employment checks

59. This study was undertaken as a consequence of the security incidents in London and Glasgow in June 2007 which allegedly involved staff working in the NHS, including the Royal Alexandra Hospital. Following these incidents the Cabinet Secretary for Health and Wellbeing asked for the Auditor General to carry out an examination of whether pre-employment screening of overseas staff working in the NHS in Scotland was in line with the relevant guidelines.
60. The Auditor General published his report in late November 2007 and the key messages from the study were:
- the NHS in Scotland does not have an accurate picture of the number of overseas staff employed
 - boards reported that there were 1,161 overseas staff in NHS employment across Scotland at September 2007. However this is likely to be an underestimate as boards had difficulty identifying staff who were in the country with indefinite leave to remain. Of the overseas staff identified, boards estimated that 89 per cent of these were doctors or nurses



- in the five sample boards (including NHS Greater Glasgow and Clyde) where more detailed work on compliance with pre-employment checks for overseas staff was carried out, boards had similar procedures and there was evidence of high compliance with procedures in the sample of personnel records reviewed.

61. In December 2007 the Scottish Government produced guidance on the recruitment of staff, including the additional procedures that must be followed when recruiting overseas staff. This guidance sets out the minimum requirements for NHS employers and implementation of the guidance is a requirement of the Staff Governance standard.



Governance

Overview of arrangements

62. This section sets out our main findings arising from our review of NHS Greater Glasgow and Clyde governance arrangements. This year we reviewed:

- key systems of internal control
- internal audit
- aspects of information and communications technology (ICT).

63. We also discharged our responsibilities as they relate to prevention and detection of fraud and irregularity; standards of conduct; and the organisation's financial position (see paragraphs 9-11). Our overall conclusion is that arrangements within NHS Greater Glasgow and Clyde are sound and have operated through 2007/08.

Corporate Plans

64. The Corporate Plan outlines how the Board is going to develop its key strategic objective to:

“deliver effective and high quality health services, to act to improve the health of our population and to do everything we can to reduce health inequalities.”

65. The plan consists of seven corporate themes:

- **Improve Resource Utilisation:** making better use of our financial, staff and other resources.
- **Shift the Balance of Care:** delivering more care in and close to people's homes.
- **Focus Resources on Greatest Need:** ensure that the more vulnerable sectors of our population have the greatest access to services and resources that meet their needs.
- **Improve Access:** ensure service organisation, delivery and location enable easy access.
- **Modernise Services:** provide our services in ways and in facilities which are as up to date as possible.
- **Improve Individual Health Status:** change key factors and behaviours which impact on health.
- **Effective Organisation:** be credible, well led and organised and meet our statutory duties.



66. There are a number of key challenges and risks for the Board in delivering this plan. The main risk areas are:

- **Securing Financial Stability** – As has been noted elsewhere in this report, one of the significant challenges that the Board faces relates to its ability to fund a sustainable level of service and implement major service developments, in particular the implementation of its Acute Services Strategy and the rationalisation of services within the Clyde Division. This issue remains a significant challenge to the Board.
- **Working In Partnership** – The ability of the Board to work in partnership with local authorities, central government agencies and the voluntary / private sectors has been demonstrated in the various partnership structures established by the Board. For example: CH(C)P, Mental Health Partnership, Supporting People Partnerships etc. Partnership working will play an increasingly important role in proposed service developments and enabling the Board to demonstrate the shift in the balance of care and improving access to services.
- **Maintaining Robust Performance Reporting Frameworks** – The importance of having robust systems of relevant, accurate and understandable information has been recognised by the Board. Significant developments in the performance reporting framework have been demonstrated during the year with the review and redesign of performance data collation and reporting for each business segment of the Board. It is recognised that this work is on-going and we will continue to monitor progress in future years.
- **Managing Risk** – The Board has put in place robust systems for the identification and management of risk with the adoption of a single corporate risk register, corporate risk management policies and the issuing of guidance for managers. These corporate risk arrangements are supported by local departmental risk registers and arrangements. The challenge for the Board will be embedding a risk aware culture within the organisation for the future management of existing and emerging risks in the medium to long term.
- **Management Capacity / Workforce Development** – With the current level of service redesign, investment in new and innovative services and organisational change required to address these corporate objectives, there is an inevitable increase on the demands of senior officers of the Board in terms of knowledge and skills to manage the individual service priorities. The Board will require to take account of this as these developments progress.

67. These risk areas are complex and comprise multiple issues which will require careful management to resolve. We have continued to monitor the Board's progress in each of these areas over the course of the year and the significant developments in these areas are reported in the following paragraphs.



Service Development

68. Our audit plan identified the Independent Scrutiny Review led by Professor McKay on the service delivery proposals for the Clyde Division and its possible implications for the delivery of the full Cost Saving Plan for the Clyde Area. The Panel's report was issued in December 2007. The report was supportive of the Board's proposals in many areas but highlighted a need for further consultation and consideration of alternative options on service delivery particularly the transfer of unscheduled medical admissions outwith the Vale of Leven hospital.
69. The Board responded to the Independent Scrutiny Review Panel's findings by initialising a range of consultations on its proposals as recommended in the report. At the present time the Board is still concluding the consultation process on some strands of the service delivery proposals. The full implications of this review process have still to be realised together with an agreed strategy for moving forward. Therefore risks around these elements of the cost savings plan will remain into future financial years.
70. Our audit plan drew attention to the risks relating to the Board's ability to provide appropriate, safe, sustainable services in an environment of changing clinical demands and we commented on several factors impacting on the risks. In particular, we highlighted the Board's ability to afford the significant costs associated with its Acute Services Review and the added complication of integrating Clyde services into this review. We identified a significant challenge in demonstrating to stakeholders that care is moving from an Acute setting into a primary care community based setting.
71. Progress has continued with the development of the Acute Services Review. During the year, the Beatson Oncology Hospital became operational. Work on the two Ambulatory Care Hospitals at the Victoria and Stobhill has been progressing well. It is expected that these projects will be operational ahead of schedule in 2009/10.
72. The Board approved an £842m business case for the development of a new children's hospital and a new adult acute hospital and other facilities, contributing to a wider healthcare community located on the Southern General site. This project will be funded using a public funding model. The Scottish Government approved the Outline Business Case on 22 April 2008.
73. Detailed financial plans have been prepared outlining the capital and revenue funding requirements over the coming 10 years to sustain the strategy. The financial strategy is dependent upon the receipt of specific capital funding from the SGHD in relation to the New Children's Hospital and new Adult Acute hospital in South Glasgow, capital receipts and internally generated cash-releasing savings. This will require the Board to build up a level of recurring surplus to fund future commitments as they become operational over the next 10 years. The financial plan contains a number of assumptions about the future financial settlements and economic factors, which are subjective and may not materialise. Ultimately, the financial plan remains at risk of not being affordable and is a significant challenge to the Board moving forward.



Systems of internal control

74. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. In their annual report for 2007/08 PricewaterhouseCoopers, the Board's internal auditors, provided their opinion that, based on the internal audit work undertaken during the year, there was reasonable assurance on the adequacy and effectiveness on the systems of internal control.
75. As part of our audit we reviewed the high level controls in a number of NHS Greater Glasgow and Clyde systems that impact on the financial statements. This audit work covered a number of areas including cash and bank, payroll, accounts payable, accounts receivable, fixed assets, general ledger, Family Health Services, stores and procurement. Our overall conclusion was that NHS Greater Glasgow and Clyde has adequate systems of internal control in place. We did identify a number of areas where controls could be strengthened and agreed an action plan of improvements with management. This will be followed-up at a future date to confirm that improvements have been made.
76. In addition we placed formal reliance on aspects of internal audit's systems work in terms of International Standard on Auditing 610 (*Considering the Work of Internal Audit*) to avoid duplication of effort. This work provided us with additional assurances on the adequacy of the internal control environment within NHS Greater Glasgow and Clyde.

Statement on internal control

77. The Statement on Internal Control (SIC) provided by NHS Greater Glasgow and Clyde Accountable Officer reflected the main findings from both external and internal audit work. This recorded management's responsibility for maintaining a sound system of internal control and sets out NHS Greater Glasgow and Clyde's approach to this. The SIC highlighted the steps taken to improve the Board's risk management processes during 2007/08 including the establishment of a corporate Risk Register. Further, it outlined new developments in information governance including the appointment of an Information Governance Manager.

Internal Audit

78. The establishment and operation of an effective internal audit function forms a key element of effective governance and stewardship. We therefore seek to rely on the work of internal audit wherever possible and as part of our risk assessment and planning process for the 2007/08 audit we assessed whether we could place reliance on NHS Greater Glasgow and Clyde internal audit function. We concluded that the internal audit service operates in accordance with the Government Internal Audit Manual and therefore placed reliance on their work in a number of areas during 2007/08, as we anticipated in our annual audit plan.



Computer Services Review follow-up

79. As part of the 2006/2007 audit we carried out a Computer Services Review (CSR) of the Health Information & Technology (HI&T) service provision within NHS Greater Glasgow and Clyde (NHSGGC). A follow-up audit was carried out and reported in 2007/08. Of 16 risks identified we found that 5 had been addressed, 10 partially addressed and 1 was outstanding. Where there has been slippage in implementing agreed actions we have agreed revised timescales for implementation.
80. We found that management have taken steps to strengthen controls in the following areas:
- a Health Information and Technology Strategy has been defined in consultation with key stakeholders. It takes account of national direction on e-Health Developments and local priorities such as the development of electronic records systems in the new Ambulatory Care Hospitals (ACH);
 - Health Information and Technology and Information Governance steering groups have been established as part of the board's governance structure to oversee information technology developments. They have met twice since being formed.
 - skills available within the organisation have been matched to HI&T requirements. A new HI&T organisational structure has been developed and is in the process of being implemented.
81. Certain risks remain to be addressed in relation to business continuity and disaster recovery planning and so we will continue to monitor these areas in future years.

ICT Preparedness for Ambulatory Care Hospitals

82. As part of our programme of work in 2007/08 we carried out a review of ICT preparedness for introducing a paper-light records management system in ACHs using portal technology. We also attended a demonstration on current portal developments to better understand this new technology.
83. Our fieldwork is complete and we will be issuing a draft report to management shortly. Our preliminary findings indicate that the move to delivering services under the new ACH model will increase dependency on the ICT infrastructure for front line clinical care. The one-stop shop approach will still be dependent upon the existing ICT systems currently used by staff and failure of any underlying system will affect the operational effectiveness of the ACH model.
84. These arrangements place a high level of dependency on the resilience arrangements and disaster recovery plans developed by the Board. However, the reliance on information technology will require front line staff to ensure their service continuity plans can support continued service delivery even when the clinical portal is not available.

Risk Area 5



Review of key Information Communications Technology (ICT) installations

85. As part of our work on the review of key ICT installations we issued a questionnaire to Health Information and Technology (HI&T) management for completion. It covers such matters as security, continuity of service and performance monitoring. The completed questionnaire and supporting evidence will provide a focus for our review and we expect to share emerging findings with HI&T shortly. Our report will be made available to the Audit Committee in due course.
86. The restructuring of the Health Information and Technology department or function is nearly complete and this has contributed to more efficient single system working practices. The risks associated with this major organisational change have been recognised and managed. NHSGGC is progressing well in developing its information technology infrastructure. Business continuity and disaster recovery activity has not progressed visibly other than representation on the Civil Contingencies Committee. This area requires further attention to ensure that users can deliver their services continuously or, alternatively, that adequate resiliency is in place to ensure that services remain available.

Clinical governance

87. The Board continues to work with NHS Quality Improvement Scotland (NHS QIS) to support the implementation of the clinical governance and risk management standards to ensure that clinical governance principles are embedded in local practice. NHS QIS has recently carried out a review of asthma services for children and young people and clinical governance and risk management. The report is not yet available but the initial feedback has been positive.
88. The Board is currently developing a web-based single system database for gathering information on adverse events to facilitate analysis and monitoring. This system replaces six predecessors systems and will facilitate operational risk management processes.
89. In 2007/08 Internal Audit benchmarked the arrangements for its Clinical Governance Committee against practices in other NHS boards. The review concluded that the Committee functions well, highlighting the presentation of annual clinical governance reports from Acute Services Directorates, Partnerships and other corporate functions as well as the overarching clinical governance annual report for NHSGGC and also the regular presentations on the clinical governance arrangements in each of the directorates. The report did, however, comment on the balance between written and verbal information presented to Committee members.



People management

90. The process of transformational change within NHS Greater Glasgow and Clyde continued in 2007/08. The Board's Organisational Development Framework was put in place and this provides a system of planning and support for the effective implementation of the Board's corporate themes. The framework focuses on developing leadership and management capability and capacity, developing effective teams and developing individual performance and results.
91. The success of many local and national initiatives is dependent on staff capacity, capability and competency. NHSGGC needs access to accurate and reliable information for effective workforce planning. A variety of local systems are currently used to produce workforce information and this is not an efficient use of resources. NHSGGC plans to use the national SWISS system to provide a more efficient single system. The national SWISS system itself also faces its own challenges as it is being further developed.
92. As with other health boards in Scotland Greater Glasgow and Clyde faces a major challenge in achieving the sickness absence target of 4% by March 2009. The current sickness absence rate for the Board is 5.99%. The Board is taking action to reduce sickness absence including the adoption of a harmonised Attendance Management Policy and the inclusion of attendance management as a key target for senior staff within their 2007/08 performance objectives.

Risk area 6

Partnership Working

93. Partnership working in the NHS covers a number of areas, including partnerships with staff groups, local authorities, the voluntary sector, private healthcare providers and regional planning with other NHS boards.
94. The Board has undertaken significant work in partnership with local authorities in establishing Community Health Care Partnerships (CH(C)Ps) and Community Health Partnerships to provide care and public health services in a local setting to meet the needs of the local population.
95. Public Partnership forums have now been established in each CH(C)P area with relevant committees meeting during the year. Such mechanisms ensure that service users are involved in the service developments and links are established with other local governance structures, for example, community planning committees, to co-ordinate services which meet the needs of local areas.
96. Performance reporting at CH(C)P level is still a developing area. We have noted significant work at Board level during the year to develop a comprehensive performance reporting structure with key information and reports being refined to meet the needs of users at all levels. However at individual



CH(C)P level this information still needs to be developed to meet the specific needs of each CH(C)P. For example, some information on services is available only on a city-wide basis, where ideally this should be on a CH(C)P basis.

97. In 2006/07 we carried out a review of partnership working specifically in relation to CH(C)Ps. The review identified that CH(C)Ps were in the early stages of development and in future years we will continue to monitor progress in this area.

Prevention and detection of fraud and irregularities

98. NHS Greater Glasgow and Clyde has in place a number of measures to prevent and detect fraud, including Standing Financial Instructions, Standing Orders and supporting policies and procedures. The Board has a formal programme of internal audit work, which, although not designed to detect fraud, does provide assurance on the operation of the control systems which are designed to prevent fraud. The Board has also agreed a formal protocol covering a programme of Payment Verification checks with the Practitioner Services Division of NHS National Services Scotland. In 2007/08 these checks included verification against patient records, requesting patients to confirm treatment by letter, visits to practices and examination of patients.

NFI in Scotland

99. During 2007/08, we continued to monitor the Board's participation in the 2006/07 National Fraud Initiative (NFI). This exercise is undertaken as part of the audit of the participating bodies. NFI brings together data from health bodies, councils, police, fire and rescue boards and other agencies, to help identify and prevent a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud and payroll fraud.
100. The NFI has generated significant savings for Scottish public bodies (£9.7 million from the 2006/07 exercise and £37 million including previous exercises). Health bodies did not identify a significant part of these savings, as they are principally responsible for payroll matches. However the inclusion of health bodies in the process was worthwhile in that it facilitated matches at other public sector bodies.. Health employees were affected by several payroll irregularities, including a significant payroll fraud involving working at one Board while on sick leave from another body. Health employees were also affected by more than 90 cases of Housing Benefit fraud or overpayment. Where fraud or overpayments are not identified in a body, assurances can usually be taken about internal arrangements for preventing and detecting fraud.
101. In May 2008 Audit Scotland released its report *National Fraud Initiative in Scotland 2006/07*. A full copy of the report is available on Audit Scotland's website www.audit-scotland.gov.uk. The report highlighted a range of areas where prevention and detection of fraud had been enhanced.



102. The report also noted that while the majority of participating bodies performed their role satisfactorily, reported performance was not as good in the following areas:

- about a quarter of participants could have planned better for NFI, demonstrated more commitment to the exercise or started work on their matches more promptly.
- bodies should review their approach to selecting matches for investigation. Better use could have been made of the web based application.

103. We reported, in 2006/07, that NHS Greater Glasgow and Clyde established key contacts and nominated other contacts in personnel and payroll at an early stage and that following receipt of the data matches, an action plan was created for each type of match i.e. payroll to payroll within and between bodies, payroll to payroll pensions etc. Two cases of fraud have been identified in 2007/08 as a result of the NFI initiative and a further six cases have been referred to the procurator fiscal.

104. We continued to monitor the board's progress with NFI as part of the 2007/08 audit. I am pleased to record that I was able to report back to Audit Scotland in February 2008 that NHS Greater Glasgow and Clyde had made adequate progress to date in following up the NFI output and that the arrangements overall for NFI were adequate and that all necessary investigative work was completed within the required timescales.

105. Looking forward, Audit Scotland is working to widen the scope of the NFI in line with the rest of the UK. Public bodies will provide information again in October this year as part of their 2008/09 audits with the output expected in early 2009. We shall continue to monitor NHS Greater Glasgow and Clyde's progress.



Looking Forward

106. NHS Greater Glasgow and Clyde faces a number of challenges in 2008/09, which include:

- **Service redesign** – There are significant developments planned for the delivery of future healthcare services by the Board. The most significant is the continuing work on the Acute Services review which will see the development of new hospital facilities in south Glasgow. This alone will present significant long term challenges in identifying and securing funding together with project management of a major capital build. The two Ambulatory Care Hospitals due to become operational in 2009/10 will require significant levels of investment to be identified from within current revenue allocation. This will present a recurring cost pressure on the Board's financial plan in future years.

In taking forward its service redesign proposals there is the potential for further independent reviews which the Board will require to take account of in finalising its plans. In addition there will be the ongoing challenge of ensuring that risks associated with Hospital Acquired Infections continue to be appropriately managed.

Community Health (Care) Partnerships have been one of the most significant service redesign features in recent years. NHS Greater Glasgow and Clyde and its partner local authorities have been innovative in designing a structure that encompasses a true partnership approach to local health and social care provision. The challenge for the Board will be to demonstrate that the current CH(C)P structure is delivering its objectives and is instrumental in shifting the balance of care from acute to primary care settings.

- **Financial management** – There will be tighter financial settlements in 2008/09 and future years with uplifts of 3.15% compared to 6% in previous years. This will have a significant impact on long term financial planning and the control of non pay costs. The Board's savings targets for 2008/09 have increased from £33.2 million to £42.2 million as a result of increased pay and prescribing costs. Savings of £26.2 million have been identified and the challenge for the Board is to address the £16 million gap without affecting services.
- **International Financial Reporting Standards (IFRS)** – As part of the UK Budget 2007 the Chancellor announced that the timetable for IFRS implementation was to be extended by a year with central government accounts in Scotland to become IFRS compliant with effect from the 2009/10 financial year. The Scottish Government have notified central government bodies that they will be required to produce shadow IFRS based accounts for the financial year in 2008/09, including a restated balance sheet as at 1 April 2008. This process may require significant resource to complete and it will be important that the restatement is tackled early in 2008/09, with a plan in place to manage the transition.

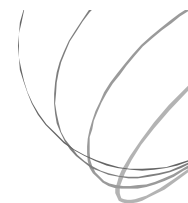


- **Scotland Performs** – The Scottish Government is continuing to develop its approach to performance management based on a National Performance Framework and outcome agreements. The National Performance Framework is based on the outcome based 'Virginia-style' model of performance measurement and reporting. In support of this the Scottish Government has developed a new electronic tool and website to communicate to the public on Scotland's progress. This will include progress on overall delivery of the administration's purpose for Government, the five strategic objectives for Scotland and other aspects of the outcomes based National Performance Framework. We will consider how NHS Greater Glasgow and Clyde is addressing this developing area as part of the 2008/09 audit.
- **Efficiency and future funding** – Budgets for 2008/09 and the immediate future will need to be managed within a tighter funding regime. This includes significantly less scope for the application of end of year flexibility for the Government with HM Treasury until the next Spending Review; no option to transfer funds from capital to revenue; and the impact of the introduction of International Financial Reporting Standards (IFRS), particularly on PFI, leases and infrastructure accounting. The challenge for NHS Greater Glasgow and Clyde is to prioritise spending, identify efficiencies and review future commitments to ensure delivery of key targets and objectives.
- **Equal Pay** - The Equal Pay Directive has made it clear that pay discrimination should be eliminated from all aspects of remuneration. NHS Greater Glasgow and Clyde as received over 5,000 of the 12,000 claims received nationally on this matter. Board management, working with the Scottish Government Health Directorates and other NHS Boards, will require to form a view of the potential liabilities as soon as practicable, taking into account the progress of cases in Scotland and in England.
- **Data handling** – The Scottish Government carried out a review of data handling arrangements in Scotland, in response to failures in UK government bodies' procedures and practices during 2007. The review considered current policies and procedures on data protection, consistency with government standards and local arrangements for implementation of procedures. Following the publication of an interim report in April 2008, the Scottish Government published their final report and recommendations in June 2008. We will monitor NHS Greater Glasgow and Clyde's response to the review and action taken as part of our 2008/09 audit.
- **Best Value** - The concept of Best Value is seen as a key driver of modernisation and improvement in public services. Audit Scotland is committed to extending the Best Value audit regime across the whole public sector and significant development work has taken place over the last year. NHS Greater Glasgow and Clyde will wish to respond to this important initiative as it develops.



- **National developments** – With the election of a new Scottish Government in 2007, there are a range of national developments coming into operation or being piloted, including the use of independent scrutiny arrangements for major planned service changes and the introduction of elected members on NHS Boards. NHS Greater Glasgow and Clyde will be required to respond to this developing agenda.

107. The Board recognises these challenges and is taking steps through its planning processes to address them. We will continue to monitor the progress that the Board is making on these key issues.



Appendix A: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Risk Identified	Planned Action	Responsible Officer	Target Date
1	The Board faces a wide range of financial challenges and there is a risk that it may not be able to make its savings targets in 2008/09. The longer term financial plan remains at risk of not being affordable and is a significant challenge to the Board moving forward.	<p>(i) The Board will finalise a detailed cost savings plan for 2008/09 by September 2008, including £6m of further short term cost savings measures to secure the achievement of its RRL in 2008/09.</p> <p>During the period to February 2009, it will progressively develop its cost savings plan for 2009/10, aimed at releasing £40m of recurring cost savings in 2009/10...this includes meeting a residual cost savings challenge of £10m in 2008/09, to build up the first 50% of the funding reserve required to fund 2 new ACHs in 2009/10.</p> <p>(ii) The Board will continue to update its 10 year financial plan to reflect changes in its financial assumptions where appropriate, enabling the affordability of its longer term plan to be kept under close review</p> <p>These processes will be managed through the Board's PPPG, with progress reported to PRG and to the NHS Board.</p>	<p>Chief Executive</p> <p>Director of Finance</p>	<p>Sept 08 /Feb 09</p> <p>Ongoing</p>
2	NHS Greater Glasgow and Clyde as with other Boards has not been able to quantify the extent of its liability for Equal Pay claims. There is a risk that these liabilities will have a significant impact on the Board's financial position.	The Board has a significant number of equal pay claims and is working with the NHS Scotland Equal Pay Unit to take this issue forward. There are a number of employment tribunals due to take place in the latter part of this financial year which will inform the direction of travel in relation to Equal Pay within the NHS in Scotland.	Director of Human Resources	31 March 2009
3	The Board may fail to meet its target in respect of cancer waiting times.	Validated quarterly performance improved quarter on quarter during 2007 until quarter 4 (Q1 – 87.2%, Q2 – 89%, Q3 – 92% and Q4 – 91%). An action plan was put in place to improve performance with a number of tumour types, particularly GI, Head & Neck and Lung. Validated quarterly performance for Q1 2008 is 92.9%. We are seeking to sustain and improve on this performance for 2008 to achieve the 95% target.	Chief Operating Officer, (Acute Services Division)	31 Dec 2008



Action Point	Risk Identified	Planned Action	Responsible Officer	Target Date
4	The Board may be unable to identify sufficient funding to support the demands for new investment to meet the new HEAT targets.	The Board will identify priority areas for new investment within its annual financial planning process, and will seek to ensure that in setting its financial plan, appropriate level(s) of resources are earmarked to enable the achievement of key targets, including new HEAT targets. This process will be managed through the Board's PPPG, within progress reported to PRG and to the NHS Board.	Director of Finance	31 March 2009
5	Reliance on ICT systems which are not adequately supported may have a detrimental effect on front line clinical care in the new Ambulatory Care Hospitals.	Whilst the complete solution for the Ambulatory Care Hospitals has been developed/integrated for that use, a large proportion of systems that make up the ACH solution are currently in use across NHSGGC. The ACH infrastructure has been designed to provide a substantial degree of resilience/failover. It is intended that the solution will be implemented in a number of specialties prior to the opening of the ACH. A detailed plan for support and business continuity will be developed by the end of the calendar year.	Director of Health Information and Technology	31 March 2009
6	There is a significant risk that the Board will fail to meet the target of 4% for sickness absence by 31 March 2009.	The Board continues to work towards the 4% sickness absence target and progress continues to be made. Sickness absence reduction is a key objective for all Directors and managers and remains a corporate objective, against which a corporate action plan has been developed. The achievement of the target is clearly a challenge, but remains an area of significant management focus.	Director of Human Resources	31 March 2009